

## ANALYSIS

### Item 43: Department of Aviation Operations and Pavement Maintenance

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**Analyst:** Ben Ruef

**Request:** Increase Other Funds expenditure limitation by \$1,145,989 and establish three permanent positions (2.01 FTE) to restore services in Operations and Pavement Maintenance.

**Analysis:** The Oregon Department of Aviation (ODA) is funded entirely by Other Funds and Federal Funds. Over half of the agency's Other Funds comes from a 3 cent per gallon tax on jet fuel and 11 cent per gallon tax on aviation gas. Over the course of the COVID-19 pandemic revenue from the aviation fuels tax decreased dramatically, forcing significant budget reductions in the agency's 2021-23 legislatively adopted budget.

The latest aviation fuels tax revenue projections, provided by the Oregon Department of Transportation, in collaboration with the Office of Economic Analysis, released on October 2021 show a 24 percent increase compared to the same time last year. In addition, the new forecast anticipates a steady increase in air travel and revenue growth over the entire forecast period ending June 2025.

With the improved forecast and increased revenue collection, ODA proposes increasing its Other Funds limitation and adding three positions to restore some of the services lost during the budget development process for 2021-23.

The Department is requesting a total of \$1,145,989 Other Funds expenditure limitation which includes \$766,259 Other Funds to support the cost of funding three permanent positions (Program Analyst 2, Administrative Specialist 2, and a Facilities Operations Specialist 1). These positions will allow ODA to conduct required airport safety inspections, replace antiquated and poorly functional equipment used in maintaining the 28-state owned and operated airports, manage maintenance oversight, and cover legal fees. Also included is \$379,730 Other Funds expenditure limitation to address pavement maintenance activities for 66 paved public airports.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$1,145,989 in the Other Funds expenditure limitation and authorizing the establishment of three permanent full-time positions (2.01 FTE) for the Oregon Department of Aviation in a budget reconciliation bill during the 2022 legislative session to restore services in Operations and Pavement Maintenance.

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**Request:** The Oregon Department of Aviation is requesting an Other Funds expenditure limitation increase of \$1,145,989 and to establish three permanent positions (2.01 FTE) to restore essential operating services affecting the safety of aviation in Oregon.

**Recommendation:** Approve the request during the February 2022 Legislative Session.

**Discussion:** The Oregon Department of Aviation (ODA) relies upon Other Funds and Federal Funds revenue for the Operation and Maintenance program areas. The Other Funds revenue comes from various aviation fuel tax revenues collected throughout the state.

The Oregon Department of Transportation provides fuel tax revenue forecasts. The October 2021 forecast projected an increase in aviation fuel revenue of 24% over the October 2020 forecast used in developing ODA's 2021-23 Legislative Adopted Budget (LAB). The projected increase in aviation fuel tax revenue is partially due to rebounding air travel along with House Bill 2434 (2021), which removed the sunset on aviation fuel taxes. The tax increase on aviation gasoline went from \$0.09 to \$0.11 per gallon and jet fuel increased from \$0.01 to \$0.03 per gallon. The prior forecast did not have the new legislative change and was still showing air travel being greatly impact by the Coronavirus pandemic, where air travel was down as much as 95%. The new forecast is projecting a steady increase in air travel and projected revenue growth throughout the full projected forecast.

For ODA to manage within the forecasted revenue for the 2021-23 budget cycle, there were reductions in positions and operational services. With the new forecast and changes in statutes for revenue collection growth, ODA is requesting an increase of Other Funds expenditure limitation, the add back of three positions, and to restore some of the services budget reduced during the development of the 2021-23 LAB.

ODA's request for \$1,145,989 Other Funds expenditure limitation includes \$766,259 Other Funds to support three permanent positions (Program Analyst 2, Administrative Specialist 2, and a Facilities Operations Specialist 1) to allow ODA to conduct the required airport safety inspections, replace antiquated and poorly functioning equipment used in maintaining the 28-state owned and operated airports, manage maintenance oversight, and cover legal fees associated with the Aurora Airport lawsuit. The Other Funds expenditure limitation balance of \$379,730 will allow ODA to address unbudgeted pavement maintenance operation services to 66 paved public airports. Since the submission of the Agency's request, the Oregon State Supreme Court denied review of the Aurora Airport lawsuit; however, there are still outstanding legal fees owed to the Department of Justice for the lawsuit and future legal costs for issues before the Circuit Court and with the Land Use Board of Appeals.

**Legal Reference:** Increase Other Funds expenditure limitation established by chapter 602, section 1(1), Oregon Laws 2021, for the Oregon Department of Aviation, Operations, by \$766,259 for the 2021-23 biennium.

Increase Other Funds expenditure limitation established by chapter 602, section 1(3), Oregon Laws 2021, for the Oregon Department of Aviation, Pavement maintenance, by \$379,730 for the 2021-23 biennium.



# Oregon

Kate Brown, Governor



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**December 6, 2021**

Senator Elizabeth Steiner Hayward, Co-Chair  
Representative Dan Rayfield, Co-Chair  
Interim Joint Committee on Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301

Dear Co-Chairpersons:

### **Nature of the [Request]**

The Oregon Department of Aviation (ODA) requests approval for an expenditure limitation increase in Pavement Maintenance Other Funds of \$379,730 and Operations Other funds of \$766,259 including adding 2.01 FTE to restore the loss of essential services and staff that affect the safety of aviation in Oregon.

### **Agency Action**

ODA is a small agency (12.59 FTE) funded entirely by other funds and federal funds and receives over half of its revenue from jet fuel tax and avgas tax. The majority of aviation fuel in Oregon is consumed by airlines. Passenger demand has been reduced by as much as 95% during the COVID-19 pandemic. This decrease in revenue and the forecasted continuous decrease resulted in significant budget cuts for ODA in the 21-23 budget including eliminating 3 FTE (20% of Operations staff), eliminating the budget for capital outlay, decreasing several budget line items such as in state travel and professional services and cutting the Pavement Maintenance budget by 30%.

The Department of Aviation's other fund budget is based on the official Oregon Department of Transportation (ODOT) revenue forecast which is updated every six months. Each update considers new economic data and assumptions impacting aviation revenue. The ODOT revenue forecast model consists of 150 variables that come from three sources 1) actual data, 2) Official State of Oregon forecast by DAS and 3) national variables forecast produced by HIS Global Insights Inc.

ODA received 21-23 expenditure limitation for both Operations and Pavement Maintenance Other Funds based on ODOT fuel tax forecasts that were completed April of 2020. In October of 2021 ODOT completed a new aviation fuel tax forecast which shows aviation fuel tax up 24% as compared to the previous forecast. This new forecast shows stronger revenues from jet fuel and aviation gas taxes as flights rebounded over the summer of 2021, reaching ODOT's pre-COVID forecast levels for the first time since COVID started. This increase in revenue will allow ODA to restore some of the budget cuts from the 21-23 budget.

### **The need for the limitation increase is:**

The 21-23 budget cuts resulted in a decrease in services for Oregon Airports. The pavement maintenance program services all 66 paved public use airport in the state. This program was designed to assist airports in undertaking pavement preventative maintenance, which is the most cost effective means to help preserve the systems airport pavement and pavement infrastructure as addressed in the Oregon Aviation Plan. The budget cut to this program of over \$600,000 in 21-23 resulted in less airports being served and smaller projects at airports. If this decline of service continues Oregon airports will suffer with deteriorating airport pavements that may result in airport closures.

These budget cuts also completely eliminated the operations capital outlay budget. This budget line item is necessary for the repairs needed to the department's over 60 year old building as well as capital equipment needs at 28 state owned airports such as tractors and vehicles. The agency also had to postpone planned professional services projects due to the forecasted decline in revenue. A continued decline in essential capital outlay and professional services can result in future deferred maintenance for airports in the state.

The ODA staff cuts have also resulted in less services for Oregon Airports and those ODA serves. With such a small staff at ODA each position is essential to servicing the vast aviation needs of Oregon. The operations division in addition to operating, maintaining and managing 28 state owned airports is also tasked with conducting airport inspections. These inspections are conducted quarterly at 28 state-owned airports and over a three year period at all 97 federally funded airports in the state. The agency's Key Performance Measures (KPM) for airport inspections measures the number of annual inspections conducted by ODA with a goal of 100%. This KPM reached an all-time low in 2020 and 2021 due to staff reductions, which poses a safety risk for aviation in the state. The agency also had a decline in the customer service KPM. The reduction of administrative staff has resulted in longer wait times for customers and delays in services for the aviation community including pilots, aircraft owners, airport managers, and business owners at airports. The agency also fell behind on to airport leases due to this staff reduction. Restoring previous staff levels is imperative for the safety of aviation and the needs of the aviation community in Oregon.

The agency also needs additional limitation for higher than budgeted attorney general fees due to current litigation at the Aurora State Airport.

ODA's Proposal for the Limitation Increase

The pavement maintenance limitation increase of \$379,730 would be used for professional services and pavement construction services to help restore the essential pavement maintenance program. The details are outlined below.

<i>Service &amp; Supplies</i>	
Professional Services	\$ 113,919
Pavement Construction Services	\$ 265,811
<b>Total Service &amp; Supplies</b>	<b>\$ 379,730</b>

The Operations limitation increase would be used to help restore essential airport services and staff and would be obligated as follows:

<i>Personal Services</i>	
Program Analyst 2 (PA2) (.67 FTE)	\$ 127,827
Administrative Specialist 2 (AS2) (.67 FTE)	\$ 99,300
Facility Operations Specialist 1 (FOS1) (.67 FTE)	\$ 114,186
<b>Total Personal Services</b>	<b>\$ 341,313</b>
<i>Service &amp; Supplies</i>	
In State and Out of State Travel	\$ 43,400
Professional Services	\$ 187,264
Attorney General Fees	\$ 50,000
<b>Total Service &amp; Supplies</b>	<b>\$ 280,664</b>
<i>Capital Outlay</i>	
Building Structures	\$ 122,292
Other Capital Outlay	\$ 21,990
<b>Total Capital Outlay</b>	<b>\$ 144,282</b>
<b>Operations Total</b>	<b>\$ 766,259</b>

The personal services costs are for 3 full time permanent position. These positions are one Program Analyst 2, one Administrative Specialist 2 and one Facility Operations Specialist 1. Each of these positions would be for 16 months of

the biennium and would represent (.67) FTE for a total of 2.01 FTE for 21-23. The duties of each position is summarized below.

Airport Operations Specialist, Program Analyst 2 (PA2) – This non-supervisory position would be located in the airport operations division and would report to the state airports manager. This staff member would manage approximately 270 commercial and private leases at the 28 state-owned airports and negotiate and recommend terms of new leases, as well as evaluate compliance with terms and conditions of current leases. The position would also maintain and update a database of leases and assist the state airports manager with acquisition of aviation easements and land.

Planning Assistant, Administrative Specialist (AS2) – This position would report to the planning manager in the operations planning division and provide assistance to grant coordinators, assist in development of request for proposals or information, track and respond to public records requests, assist in preparation of grant applications and grant administration for federal grants. This non-supervisory position would also lead relations with aviation stakeholders and customers and assist the planning division with special projects and administration and serve as back-up for Aviation Board Secretary.

Maintenance Program Coordinator, Facilities Operation Specialist 1 (FOS 1) – This non-supervisory position will assist with maintenance of the 28 state-owned airports in the airport maintenance division and will report to the state airports manager. This position will be responsible for helping to conduct required airport inspections as well as operating small, light and heavy equipment to perform building, grounds and equipment maintenance.

**Action Requested**

ODA requests limitation increases of \$379,730 Pavement Maintenance Other Funds and \$766,259 Operations Other Funds including 3 additional positions (2.01 FTE). These positions are one Administrative Specialist 2 (.67) FTE, one Facility Operations Specialist 1 (.67 FTE) and one Program Analyst 2 (.67 FTE).

**Legislation Affected**

Increase to the Pavement Maintenance Other Funds expenditure limitation established by Chapter 602 (2021 Laws), Section 1 (3), by \$379,730 and an increase to the Operations Other Funds expenditure limitation established by Chapter 602, (2021 Laws), Section 1 (1), by \$766,259.

Respectfully,



Betty Stansbury  
Director

CC: Ben Ruef, Legislative Fiscal Office  
Michelle Lisper, Chief Financial Office